

MONTEZUMA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Montezuma Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
Pete Ross	President	2007
Doug Johnston	Vice President	2007
Vince Johnson	Board Member	2009
Steve Audas	Board Member	2009
Doug Hoksbergen	Board Member	2008

Board of Education		
(After September 2007 Election)		
Pete Ross	President	2010
Doug Johnston	Vice President	2010
Vince Johnson	Board Member	2009
Steve Audas	Board Member	2009
Doug Hoksbergen	Board Member	2008

School Officials		
Dave VerSteeg	Superintendent	2008
Roy Stroud	Board Secretary/ Treasurer (Resigned)	2008
Barbara J. Albin	Board Secretary/ Treasurer	2008
Randy DeGeest	District Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Montezuma Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Montezuma Community School District, Montezuma, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Montezuma Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2009 on our consideration of Montezuma Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

Member American Institute & Iowa Society of Certified Public Accountants

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montezuma Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

January 16, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Montezuma Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,831,602 in fiscal year 2007 to \$4,804,417 in fiscal year 2008, while General Fund expenditures decreased from \$4,666,606 in fiscal 2007 to \$4,514,100 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$572,087 in fiscal 2007 to \$805,421 in fiscal 2008.
- The decrease in General Fund revenues was attributable primarily to a decrease in local tax and federal revenues in fiscal 2008. The decrease in expenditures was due primarily to an decrease in regular and special instruction expenditures.
- Overall, the District increased net assets in the governmental activities by \$449,795, and increased in the business-type activities by \$20,379, respectively.
- As of June 30, 2008, the District's solvency ratio was 15.0% as compared to 11.0% for June 30, 2007. Since fiscal year 2005, the District's solvency ratio has risen from 4.6% to 15.0%.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Montezuma Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Montezuma Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Montezuma Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

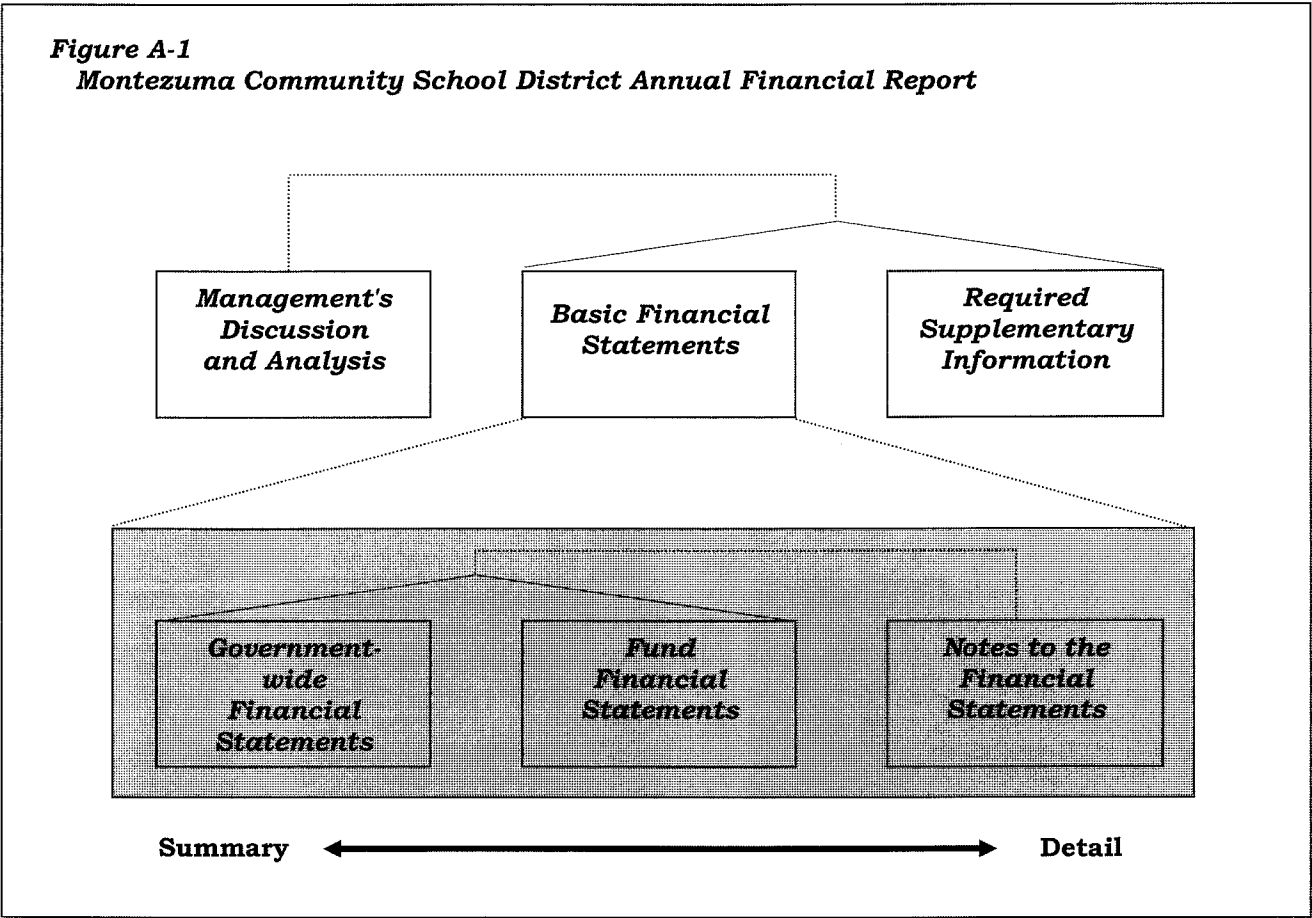


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 4,568,937	4,251,817	40,428	40,553	4,609,365	4,292,370	7.39%
Capital assets	1,075,778	1,080,304	65,244	43,112	1,141,022	1,123,416	1.57%
Total assets	5,644,715	5,332,121	105,672	83,665	5,750,387	5,415,786	6.18%
Long-term obligations	237,863	376,765	0	0	237,863	376,765	-36.87%
Other liabilities	2,655,793	2,654,092	20,740	19,112	2,676,533	2,673,204	0.12%
Total liabilities	2,893,656	3,030,857	20,740	19,112	2,914,396	3,049,969	-4.45%
Net assets:							
Invested in capital assets, net of related debt	1,075,778	1,069,065	65,244	43,112	1,141,022	1,112,177	2.59%
Restricted	844,918	726,450	0	0	844,918	726,450	16.31%
Unrestricted	830,363	505,749	19,688	21,441	850,051	527,190	61.24%
Total net assets	\$ 2,751,059	2,301,264	84,932	64,553	2,835,991	2,365,817	19.87%

The District's combined net assets increased by 19.87% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 16.31% compared to prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased 61.24% over the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 as compared to the year ended 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 376,303	574,994	160,945	181,666	537,248	756,660	-29.00%
Operating grants and contributions and restricted interest	774,585	576,904	88,955	94,654	863,540	671,558	28.59%
General revenues:							
Local tax	2,126,681	2,207,564	0	0	2,126,681	2,207,564	-3.66%
Local option sales and service tax	359,766	411,199	0	0	359,766	411,199	-12.51%
Unrestricted state grants	1,825,128	1,742,758	0	0	1,825,128	1,742,758	4.73%
Other	176,672	243,002	617	573	177,289	243,575	-27.21%
Transfers	(64,329)	(100,578)	64,329	52,479	0	(48,099)	100.00%
Total revenues	5,574,806	5,655,843	314,846	329,372	5,889,652	5,985,215	-1.60%
Program expenses:							
Governmental activities:							
Instruction	3,497,481	3,748,390	59,738	0	3,557,219	3,748,390	-5.10%
Support services	1,196,757	1,415,468	0	0	1,196,757	1,415,468	-15.45%
Non-instructional programs	0	400	234,729	304,476	234,729	304,876	-23.01%
Other expenses	430,773	388,207	0	0	430,773	388,207	10.96%
Total expenses	5,125,011	5,552,465	294,467	304,476	5,419,478	5,856,941	-7.47%
Change in net assets	449,795	103,378	20,379	24,896	470,174	128,274	266.54%
Net assets beginning of year	2,301,264	2,197,886	64,553	39,657	2,365,817	2,237,543	5.73%
Net assets end of year	\$ 2,751,059	2,301,264	84,932	64,553	2,835,991	2,365,817	19.87%

In fiscal 2008, local tax and unrestricted state grants account for 70.89% of the revenue from governmental activities while charges for services and operating grants and contributions account for 79.37% of the revenue from business type activities.

The District's total revenues were approximately \$5.89 million of which \$5.57 million was for governmental activities and approximately \$0.32 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.6% decrease in revenues and a 7.47% decrease in expenses. The decrease in expenses was related to decreases in instruction and support services expenditures.

Governmental Activities

Revenues for governmental activities were \$5,574,806 and expenses were \$5,125,011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 3,497,481	3,748,390	-6.69%	2,523,662	2,764,878	-8.72%
Support services	1,196,757	1,415,468	-15.45%	1,193,471	1,413,673	-15.58%
Non-instructional	0	400	-100.00%	0	400	-100.00%
Other expenses	430,773	388,207	10.96%	256,990	221,616	15.96%
Totals	<u>\$ 5,125,011</u>	<u>5,552,465</u>	<u>-7.70%</u>	<u>3,974,123</u>	<u>4,400,567</u>	<u>-9.69%</u>

- The cost financed by users of the District's programs was \$376,303.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$774,585.
- The net cost of governmental activities was financed with \$2,126,681 in property tax, \$359,766 in local option sales and services tax, \$1,825,128 in unrestricted state grants, \$73,252 in interest income and \$103,420 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$314,846 and expenses were \$294,467. The District's business-type activity is the School Nutrition Fund and the Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Montezuma Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,703,016, above last year's ending fund balances of \$1,375,016.

Governmental Fund Highlights

- The District's General Fund financial position changed from \$572,087 in fiscal 2007 to \$805,421 in fiscal 2008. This was due to the decrease in expenditures during the year.
- The District's Capital Projects Fund increased \$53,154, to an ending fund balance of \$533,716. This was due to revenues exceeding expenditures ensuring the increase in fund balance for the Capital Projects Fund.
- The District increased its tax levy which allowed the Management Levy Fund to improve from \$115,332 to \$137,171. Although fund expenditures increased by \$94,035 as compared to fiscal 2007, the increase in fund revenues was more than enough to offset the expenditure increase.

Proprietary Funds Highlights

The School Nutrition Fund net assets increased from \$67,212 at June 30, 2007 to \$94,082 at June 30, 2008, representing an increase of 39.98%. The increase was due to the capital contributions made from the Capital Projects Fund during the year.

The Preschool Fund net assets decreased from a deficit \$2,659 at June 30, 2007 to a deficit \$9,150 at June 30, 2008. The General Fund transferred \$35,000 for operating capital for the preschool during the year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$181,358 more than budgeted revenues, a variance of 3.17%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were more than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

Unfortunately during the year ended June 30, 2008, expenditures in the instruction and support services functions exceeded the amounts budgeted without sufficient time available to amend the budget. The District also exceeded the total expenditures amount budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1,141,022, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$141,798.

The original cost of the District's capital assets was \$4,398,719. Governmental funds account for \$4,239,755 with the remainder of \$158,964 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress decreased due to the roofing project being completed as of June 30, 2008.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 52,500	52,500	0	0	52,500	52,500	0.00%
Construction in progress	0	41,961	0	0	0	41,961	-100.00%
Buildings	773,249	794,486	0	0	773,249	794,486	-2.67%
Land improvements	41,125	46,794	0	0	41,125	46,794	-12.11%
Machinery and equipment	208,904	144,563	65,244	43,112	274,148	187,675	46.08%
Total	\$ 1,075,778	1,080,304	65,244	43,112	1,141,022	1,123,416	1.57%

Long-Term Debt

At June 30, 2008, the District had \$237,863 in long-term debt outstanding. This represents an decrease of 36.9% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$237,863 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
Early retirement	237,863	365,526	-34.9%
Bus lease	0	11,239	-100.0%
Totals	\$ 237,863	376,765	-36.9%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dave VerSteege, Superintendent, Montezuma Community School District, 504 North 4th Street, Box 580, Montezuma, Iowa, 50171.

BASIC FINANCIAL STATEMENTS

MONTEZUMA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments:	\$ 1,942,970	35,255	1,978,225
Receivables:			
Property tax:			
Delinquent	43,357	0	43,357
Succeeding year	2,117,177	0	2,117,177
Income surtax	210,128	0	210,128
Accounts	1,500	0	1,500
Due from other governments	253,805	0	253,805
Inventories	0	5,173	5,173
Capital assets, net of accumulated depreciation(Note 4)	1,075,778	65,244	1,141,022
Total Assets	5,644,715	105,672	5,750,387
Liabilities			
Accounts payable	13,166	0	13,166
Due to other governments	129,008	0	129,008
Salaries and benefits payable	396,442	18,031	414,473
Deferred revenue:			
Succeeding year property tax	2,117,177	0	2,117,177
Unearned revenue	0	2,709	2,709
Long-term liabilities(Note 5):			
Portion due within one year:			
Early retirement payable	52,285	0	52,285
Portion due after one year:			
Early retirement payable	185,578	0	185,578
Total Liabilities	2,893,656	20,740	2,914,396
Net Assets			
Invested in capital assets, net of related debt	1,075,778	65,244	1,141,022
Restricted for:			
Early intervention	4,095	0	4,095
Talented and gifted	49,853	0	49,853
Salary improvement program	2,311	0	2,311
Additional teacher contract day	1,713	0	1,713
Additional salary, professional development	102	0	102
Professional development	17,248	0	17,248
Market factor	1,176	0	1,176
Market factor incentives	3,858	0	3,858
Phase II	4,138	0	4,138
Debt service	1,607	0	1,607
Physical plant and equipment levy	91,745	0	91,745
Capital projects	533,716	0	533,716
Other special revenue purposes	133,356	0	133,356
Unrestricted	830,363	19,688	850,051
Total Net Assets	\$ 2,751,059	84,932	2,835,991

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,118,509	323,692	412,063	(1,382,754)	0	(1,382,754)
Special instruction	566,180	39,019	25,604	(501,557)	0	(501,557)
Other instruction	812,792	12,458	160,983	(639,351)	0	(639,351)
	<u>3,497,481</u>	<u>375,169</u>	<u>598,650</u>	<u>(2,523,662)</u>	<u>0</u>	<u>(2,523,662)</u>
Support services:						
Instructional staff services	117,671	0	0	(117,671)	0	(117,671)
Administration services	497,877	0	0	(497,877)	0	(497,877)
Operation and maintenance of plant services	354,696	0	0	(354,696)	0	(354,696)
Transportation services	226,513	1,134	2,152	(223,227)	0	(223,227)
	<u>1,196,757</u>	<u>1,134</u>	<u>2,152</u>	<u>(1,193,471)</u>	<u>0</u>	<u>(1,193,471)</u>
Other expenditures:						
Facilities acquisitions	183,965	0	0	(183,965)	0	(183,965)
Long-term debt interest	400	0	0	(400)	0	(400)
AEA flowthrough	173,783	0	173,783	0	0	0
Depreciation(unallocated)*	72,625	0	0	(72,625)	0	(72,625)
	<u>430,773</u>	<u>0</u>	<u>173,783</u>	<u>(256,990)</u>	<u>0</u>	<u>(256,990)</u>
Total governmental activities	5,125,011	376,303	774,585	(3,974,123)	0	(3,974,123)
Business-Type activities:						
Instruction:						
Regular instruction	59,738	0	0	0	(59,738)	(59,738)
Non-instructional programs:						
Nutrition services	234,431	146,801	84,567	0	(3,063)	(3,063)
Preschool	298	14,144	4,388	0	18,234	18,234
Total business-type activities	<u>294,467</u>	<u>160,945</u>	<u>88,955</u>	<u>0</u>	<u>(44,567)</u>	<u>(44,567)</u>
Total	<u>\$ 5,419,478</u>	<u>537,248</u>	<u>863,540</u>	<u>(3,974,123)</u>	<u>(44,567)</u>	<u>(4,018,690)</u>
General Revenues and Transfers:						
General Revenues:						
Local tax: for:						
General purposes				\$ 2,087,837	0	2,087,837
Capital outlay				38,453	0	38,453
Debt service				391	0	391
Local option sales and services tax				359,766	0	359,766
Unrestricted state grants				1,825,128	0	1,825,128
Unrestricted investment earnings				73,252	617	73,869
Other				103,420	0	103,420
Transfers				<u>(64,329)</u>	<u>64,329</u>	<u>0</u>
Total general revenues and transfers				<u>4,423,918</u>	<u>64,946</u>	<u>4,488,864</u>
Changes in net assets				449,795	20,379	470,174
Net assets beginning of year				<u>2,301,264</u>	<u>64,553</u>	<u>2,365,817</u>
Net assets end of year				<u>\$ 2,751,059</u>	<u>84,932</u>	<u>2,835,991</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:	\$ 1,105,368	474,089	363,513	1,942,970
Receivables:				
Property tax				
Delinquent	38,162	0	5,195	43,357
Succeeding year	1,864,024	0	253,153	2,117,177
Income surtax	210,128	0	0	210,128
Interfund	5,287	0	458	5,745
Accounts	1,500	0	0	1,500
Due from other governments	193,178	60,627	0	253,805
Total Assets	\$ 3,417,647	534,716	622,319	4,574,682
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 458	0	5,287	5,745
Accounts payable	12,166	1,000	0	13,166
Due to other governments	129,008	0	0	129,008
Salaries and benefits payable	396,442	0	0	396,442
Deferred revenue:				
Succeeding year property tax	1,864,024	0	253,153	2,117,177
Income surtax	210,128	0	0	210,128
Total liabilities	2,612,226	1,000	258,440	2,871,666
Fund balances:				
Reserved for:				
Early intervention	4,095	0	0	4,095
Talented and gifted	49,853	0	0	49,853
Salary improvement program	2,311	0	0	2,311
Additional teacher contract day	1,713	0	0	1,713
Additional salary, professional development	102	0	0	102
Professional development	17,248	0	0	17,248
Market factor	1,176	0	0	1,176
Market factor incentives	3,858	0	0	3,858
Phase II	4,138	0	0	4,138
Debt service	0	0	1,607	1,607
Unreserved	720,927	533,716	362,272	1,616,915
Total fund balances	805,421	533,716	363,879	1,703,016
Total Liabilities and Fund Balances	\$ 3,417,647	534,716	622,319	4,574,682

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 1,703,016
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,075,778
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	210,128
Long-term liabilities, including early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(237,863)
Net assets of governmental activites (page 13)	<u><u>\$ 2,751,059</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,908,293	359,766	231,024	2,499,083
Tuition	362,711	0	0	362,711
Other	94,683	15,718	240,846	351,247
State sources	2,320,267	0	0	2,320,267
Federal sources	118,463	0	0	118,463
Total revenues	4,804,417	375,484	471,870	5,651,771
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,068,100	0	135,199	2,203,299
Special instruction	566,180	0	0	566,180
Other instruction	581,086	0	233,836	814,922
	3,215,366	0	369,035	3,584,401
Support services:				
Student services	6,546	0	0	6,546
Instructional staff services	117,671	0	0	117,671
Administration services	489,923	0	22,856	512,779
Operation and maintenance of plant services	328,861	0	30,657	359,518
Transportation services	181,950	115,567	7,810	305,327
	1,124,951	115,567	61,323	1,301,841
Other expenditures:				
Facilities acquisitions	0	217,052	0	217,052
Long-term debt:				
Principal	0	0	11,239	11,239
Interest	0	0	455	455
AEA flowthrough	173,783	0	0	173,783
	173,783	217,052	11,694	402,529
Total expenditures	4,514,100	332,619	442,052	5,288,771
Excess of revenues over expenditures	290,317	42,865	29,818	363,000
Other financing sources(uses):				
Transfer in	0	21,983	11,694	33,677
Transfer out	(56,983)	(11,694)	0	(68,677)
Total other financing sources(uses)	(56,983)	10,289	11,694	(35,000)
Net change in fund balances	233,334	53,154	41,512	328,000
Fund balance beginning of year	572,087	480,562	322,367	1,375,016
Fund balance end of year	\$ 805,421	533,716	363,879	1,703,016

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds(page 17) \$ 328,000

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Depreciation expense	\$ (134,601)	
Capital outlay expenditures	<u>130,075</u>	(4,526)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		(12,636)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early Retirement		127,663

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		11,239
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		<u>55</u>
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Changes in net assets of governmental activities(page 14)		<u><u>\$ 449,795</u></u>
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SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	School Nutrition	Pre- school	Total
Assets			
Cash and pooled investments	\$ 34,178	1,077	35,255
Inventories	5,173	0	5,173
Capital assets, net of accumulated depreciation(Note 4)	65,244	0	65,244
Total Assets	104,595	1,077	105,672
Liabilities			
Salaries and benefits payable	7,804	10,227	18,031
Unearned revenues	2,709	0	2,709
Total Liabilities	10,513	10,227	20,740
Net Assets			
Invested in capital assets	65,244	0	65,244
Unrestricted	28,838	(9,150)	19,688
Total Net Asset	\$ 94,082	(9,150)	84,932

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition	Pre- school	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 145,965	0	145,965
Miscellaneous	836	14,144	14,980
TOTAL OPERATING REVENUES	146,801	14,144	160,945
OPERATING EXPENSES:			
Instruction:			
Salaries	0	43,256	43,256
Benefits	0	16,482	16,482
	0	59,738	59,738
Non-instructional programs:			
Salaries	63,187	0	63,187
Benefits	27,011	0	27,011
Services	98	0	98
Supplies	136,938	298	137,236
Depreciation	7,197	0	7,197
	234,431	298	234,729
TOTAL OPERATING EXPENSES	234,431	60,036	294,467
OPERATING LOSS	(87,630)	(45,892)	(133,522)
NON-OPERATING REVENUES:			
Intermediate sources	0	4,388	4,388
State sources	2,560	0	2,560
Federal sources	82,007	0	82,007
Interest income	604	13	617
TOTAL NON-OPERATING REVENUES	85,171	4,401	89,572
Net loss before other financing sources	(2,459)	(41,491)	(43,950)
OTHER FINANCING SOURCES:			
Transfer in	0	35,000	35,000
Capital contributions	29,329	0	29,329
Total other financing sources	29,329	35,000	64,329
Changes in net assets	26,870	(6,491)	20,379
Net assets beginning of year	67,212	(2,659)	64,553
Net assets end of year	\$ 94,082	(9,150)	84,932

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition	Pre- school	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 150,765	0	150,765
Cash received from miscellaneous operating activities	836	14,144	14,980
Cash payments to employees for services	(89,928)	(59,210)	(149,138)
Cash payments to suppliers for goods or services	(119,463)	(298)	(119,761)
Net cash used in operating activities	(57,790)	(45,364)	(103,154)
Cash flows from non-capital financing activities:			
Transfer from the General Fund	0	35,000	35,000
Intermediate grants received	0	4,388	4,388
State grants received	2,560	0	2,560
Federal grants received	68,045	0	68,045
Net cash provided by non-capital financing activities	70,605	39,388	109,993
Cash flows from investing activities:			
Interest on investments	604	13	617
Net increase(decrease) in cash and cash equivalents	13,419	(5,963)	7,456
Cash and cash equivalents at beginning of year	20,759	7,040	27,799
Cash and cash equivalents at end of year	\$ 34,178	1,077	35,255
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (87,630)	(45,892)	(133,522)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	13,962	0	13,962
Depreciation	7,197	0	7,197
Decrease in inventories	3,611	0	3,611
Decrease in accounts receivable	3,970	0	3,970
Increase in salaries and benefits payable	270	528	798
Increase in unearned revenue	830	0	830
Net cash used in operating activities	\$ (57,790)	(45,364)	(103,154)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 34,178	1,077	35,255

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$13,962.

During the year ended June 30, 2008, the Nutrition Fund received capital contributions from the Capital Projects Fund totaling \$29,329.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	<u>\$ 51,074</u>	<u> 7,918</u>
LIABILITIES		
Due to other groups	<u> 0</u>	<u> 7,918</u>
NET ASSETS		
Reserved for scholarships	<u><u>\$ 51,074</u></u>	<u><u> 0</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 2,150
Contributions	4,035
Total additions	<u>6,185</u>
Deductions:	
Non-instructional programs:	
Scholarships awarded	<u>4,073</u>
Change in net assets	2,112
Net assets beginning of year	<u>48,962</u>
Net assets end of year	<u>\$ 51,074</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Montezuma Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Montezuma, Iowa, and the predominate agricultural territory in a portion of Poweshiek County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Montezuma Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Montezuma Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Poweshiek County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds are the School Nutrition Fund and Preschool Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Preschool Fund is used to account for the preschool services and/or child care provided by the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 3,000
Buildings	3,000
Land improvements	3,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Life (In Years)
Buildings	30 years
Land improvements	15 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been

recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the instruction and support services functions exceeded the amounts budgeted. Also during the year ended June 30, 2008, total expenditures exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments at June 30, 2008, are as follows:

Type	Amortized Cost
Diversified Portfolio	<u>\$ 1,826,831</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 11,694
Capital Projects	General	21,983
Preschool	General	35,000
Total		<u>\$ 68,677</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,500	0	0	52,500
Construction in progress	41,961	3,758	45,719	0
Total capital assets not being depreciated	94,461	3,758	45,719	52,500
Capital assets being depreciated:				
Buildings	3,196,267	45,719	0	3,241,986
Land improvements	103,635	0	0	103,635
Machinery and equipment	715,317	126,317	0	841,634
Total capital assets being depreciated	4,015,219	172,036	0	4,187,255
Less accumulated depreciation for:				
Buildings	2,401,781	66,956	0	2,468,737
Land improvements	56,841	5,669	0	62,510
Machinery and equipment	570,754	61,976	0	632,730
Total accumulated depreciation	3,029,376	134,601	0	3,163,977
Total capital assets being depreciated, net	985,843	37,435	0	1,023,278
Governmental activities capital assets, net	\$ 1,080,304	41,193	45,719	1,075,778
Business-type activities:				
Machinery and equipment	\$ 129,635	29,329	0	158,964
Less accumulated depreciation	86,523	7,197	0	93,720
Business-type activities capital assets, net	\$ 43,112	22,132	0	65,244

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 2,300
Other	1,620
Support services:	
Administration	11,154
Operation and maintenance of plant	10,149
Transportation	36,753
Unallocated depreciation	61,976
Total governmental activities depreciation expense	72,625
Business-type activities:	
Food services	\$ 7,197

(5) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early retirement	\$ 365,526	0	127,663	237,863	52,285
Bus lease	11,239	0	11,239	0	0
Total	\$ 376,765	0	138,902	237,863	52,285

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed ten years of continuous service to the District. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement benefits paid during the year ended June 30, 2008, totaled \$127,663. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$155,799, \$157,408 and \$150,304 respectively, equal to the required contributions for each year.

(7) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$173,783 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(9) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the instruction and support services exceeded the amounts budgeted. The District also exceeded the total expenditures amount budgeted during the year ended June 30, 2008.

(10) Deficit Fund Balance

The Enterprise - Preschool Fund had deficit unrestricted net assets of \$9,150.

REQUIRED SUPPLEMENTARY INFORMATION

MONTEZUMA COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,213,041	161,562	3,374,603	3,210,508	3,210,508	164,095
Intermediate sources	0	4,388	4,388	0	0	4,388
State sources	2,320,267	2,560	2,322,827	2,289,422	2,289,422	33,405
Federal sources	118,463	82,007	200,470	221,000	221,000	(20,530)
Total revenues	5,651,771	250,517	5,902,288	5,720,930	5,720,930	181,358
Expenditures:						
Instruction	3,584,401	59,738	3,644,139	3,476,389	3,476,389	(167,750)
Support services	1,301,841	0	1,301,841	1,214,944	1,214,944	(86,897)
Non-instructional programs	0	234,729	234,729	250,000	250,000	15,271
Other expenditures	402,529	0	402,529	631,678	631,678	229,149
Total expenditures	5,288,771	294,467	5,583,238	5,573,011	5,573,011	(10,227)
Excess(deficiency) of revenues over(under) expenditures	363,000	(43,950)	319,050	147,919	147,919	171,131
Other financing sources, net	(35,000)	64,329	29,329	0	0	29,329
Excess of revenues and other financing sources(uses) over expenditures	328,000	20,379	348,379	147,919	147,919	200,460
Balance beginning of year	1,375,016	64,553	1,439,569	1,245,453	1,245,453	194,116
Balance end of year	\$ 1,703,016	84,932	1,787,948	1,393,372	1,393,372	394,576

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the instruction and support services functions exceeded the amounts budgeted. The District also exceeded the total expenditures amount budgeted for the year ended June 30, 2008.

OTHER SUPPLEMENTARY INFORMATION

MONTEZUMA COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 133,071	138,185	90,650	361,906	1,607	363,513
Receivables:						
Property tax:						
Current year delinquent	4,100	0	1,095	5,195	0	5,195
Succeeding year	190,000	0	63,153	253,153	0	253,153
Interfund	0	458	0	458	0	458
Total Assets	\$ 327,171	138,643	154,898	620,712	1,607	622,319
Liabilities and Fund Balances						
Liabilities:						
Interfund payable	\$ 0	5,287	0	5,287	0	5,287
Deferred revenue:						
Succeeding year property tax	190,000	0	63,153	253,153	0	253,153
	190,000	5,287	63,153	258,440	0	258,440
Fund balances:						
Reserved:						
Debt service	0	0	0	0	1,607	1,607
Unreserved	137,171	133,356	91,745	362,272	0	362,272
Total fund balances	137,171	133,356	91,745	362,272	1,607	363,879
Total Liabilities and Fund Balances	\$ 327,171	138,643	154,898	620,712	1,607	622,319

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total
	Manage-	Physical	Total			
	ment	Plant and	Special	Debt	Nonmajor	
	Levy	Equipment	Revenue	Service	Governmental	Funds
	Student	Levy	Funds			
	Activity					
REVENUES:						
Local sources:						
Local tax						
Other						
TOTAL REVENUES						
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction						
Other instruction						
Support services:						
Administration services						
Operation and maintenance						
of plant services						
Transportation services						
Non-instructional programs:						
Long-term debt:						
Principal						
Interest						
TOTAL EXPENDITURES						
Excess(deficiency) of revenues						
over(under) expenditures						
OTHER FINANCING SOURCES:						
Transfer in						
NET CHANGE IN FUND BALANCES						
FUND BALANCES BEGINNING OF YEAR						
FUND BALANCES END OF YEAR						

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
JH heritage trip	\$ 31,215	3,130	33,865	480
Curtain callers	119	9,985	7,245	2,859
Winterguard fund	654	2,844	2,923	575
Instrumental music	979	140	890	229
Vocal music	3,705	2,046	1,185	4,566
Band uniforms	5,788	1,128	0	6,916
Cross country	87	241	328	0
Athletics	41,003	46,436	46,284	41,155
Football	76	8,333	6,896	1,513
District 6 football	0	500	0	500
Baseball	1,211	6,822	7,320	713
Golf team	944	349	226	1,067
Boys basketball	4,059	4,041	4,429	3,671
Girls BB camp	3,575	4,123	5,749	1,949
Volleyball	1,922	6,128	4,344	3,706
Wrestling	1,666	8,783	5,864	4,585
German club	2,413	0	750	1,663
Good news program	770	0	0	770
Class of 2012	20	0	0	20
Class of 2011	124	0	0	124
Class of 2010	149	902	301	750
Class of 2009	690	10,180	9,831	1,039
Class of 2008	242	384	514	112
Class of 2007	915	0	546	369
Torch club	53	0	47	6
FFA	24,126	57,341	48,483	32,984
FCCLA	960	6,280	7,103	137
JH student council	409	592	20	981
HS student council	5,304	962	3,850	2,416
Cheerleaders	1,086	3,496	4,482	100
Spanish club	1,329	1,449	2,305	473
Summer recreation	2,709	630	3,431	(92)
Publications	8,574	18,295	19,797	7,072
Elementary activities	4,231	4,277	3,116	5,392
Interest	3,198	3,070	1,712	4,556
Total	\$ 154,305	212,887	233,836	133,356

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Beginning Balance	Increases	Decreases	Ending Balance
FLOWER FUND				
Assets:				
Cash and other investments	\$ 1,724	15	165	1,574
Liabilities:				
Due to other groups	\$ 1,724	15	165	1,574
COFFEE FUND				
Assets:				
Cash and other investments	\$ 5,522	822	0	6,344
Liabilities:				
Due to other groups	\$ 5,522	822	0	6,344
TOTAL				
Cash and other investments	\$ 7,246	837	165	7,918
Liabilities:				
Due to other groups	\$ 7,246	837	165	7,918

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,499,083	2,585,499	2,370,528	2,467,051	1,859,848
Tuition	362,711	378,226	300,238	356,290	335,115
Other	351,247	451,429	416,211	272,098	723,866
Intermediate sources	0	0	0	4,961	0
State sources	2,320,267	2,157,497	2,147,777	2,130,751	1,984,365
Federal sources	118,463	148,140	143,666	132,406	125,043
Total	\$ 5,651,771	5,720,791	5,378,420	5,363,557	5,028,237
Expenditures:					
Instruction:					
Regular instruction	\$ 2,203,299	2,121,232	2,144,063	1,939,282	1,856,224
Special instruction	566,180	651,536	756,251	817,580	820,977
Other instruction	814,922	783,579	573,994	579,420	593,525
Support services:					
Student services	6,546	26,394	31,655	61,655	60,648
Instructional staff services	117,671	134,386	97,900	127,590	125,909
Administration services	512,779	558,228	455,873	522,741	495,998
Operation and maintenance of plant services	359,518	367,355	375,074	293,112	340,600
Transportation services	305,327	199,974	220,386	156,137	149,656
Non-instructional programs:	0	400	0	0	0
Other expenditures:					
Facilities acquisition	217,052	216,474	243,510	127,630	65,456
Long-term debt:					
Principal	11,239	10,802	57,126	213,784	145,000
Interest	455	893	2,218	6,922	13,278
AEA flowthrough	173,783	166,591	162,058	158,921	159,207
Total	\$ 5,288,771	5,237,844	5,120,108	5,004,774	4,826,478

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Montezuma Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Montezuma Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 16, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montezuma Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Montezuma Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Montezuma Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Montezuma Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Montezuma Community School District's financial statements that is more than inconsequential will not be prevented or detected by Montezuma Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Montezuma Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether Montezuma Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Montezuma Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Montezuma Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Montezuma Community School District and other parties to whom Montezuma Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Montezuma Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

January 16, 2009

MONTEZUMA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District recognizes the control issues inherent to a small business office and will attempt to improve controls where reasonably possible.

Conclusion - Response accepted.

I-B-08 Gate Admissions - Pre-numbered tickets are not being used for all performances held on District grounds.

Recommendation - The District should adopt a Board policy addressing internal control procedures for handling cash for all performances. The policy, at a minimum, should include the following:

- a. Change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in ticket sales/cash collecting process. The individuals responsible for ticket sales/cash collecting during the event should be instructed not to leave the change box unattended under any circumstances.
- d. Upon completion of the event, cash should be reconciled by two or more individuals to the number of pre-numbered tickets sold during the event and the amount of beginning cash in the change box.
- e. To reconcile, the next unsold ticket minus the beginning ticket number determines the actual number of tickets sold. The number of tickets sold times the price per ticket equals total sales. Total sales compared to total collections should reconcile. Variances, if any, should be small.
- f. A reconciliation sheet should be completed and signed off on by all individuals responsible for counting and reconciling cash.
- g. The change box should be turned into the Activity Director or designee responsible for the accounting function at the event.

- h. The Activity Director or designee should be required to night deposit at the bank or lock the event proceeds in the District's vault until deposit the following day.
- i. A pre-numbered receipt should be written by an individual in the Business Office the next day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically test or review the gate admissions process to ensure that the adopted procedures are being followed properly.
- k. Segregation of duties should be maintained as much as possible throughout the gate admissions process.

Response - The District will review its procedures for handling cash receipts at school events.

Conclusion - Response accepted.

- I-C-08 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - The District has a policy in place for credit card usage, which states that the users of the credit cards need to provide detailed receipts for purchases made. The District should review policies in place with personnel using the district credit cards to ensure the proper detailed documentation will be available when paying credit card billings.

Response - The District has reviewed its policies and the need for appropriate documentation with appropriate parties. Administration and the business office will continue to monitor supporting documents during the coming year.

Conclusion - Response accepted.

MONTEZUMA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008 exceeded the amounts budgeted in the instruction and support services functions. The District also exceeded the total expenditures amount budgeted for the year ended June 30, 2008.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will monitor its expenses in the coming year and amend its budget on a timely basis if needed.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-08 Business Transactions - Business transactions between the District and District officials were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Doug Hoksbergen, Board Member Daughter officiated	Purchases services	\$300
Pete Ross, Board Member Son owns Ross Lawn Service	Purchases services	\$130
Rick Swenson, Teacher Son mowed park and officiated	Purchases services	\$340

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the family members of the District's Board Members and teacher do not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The Board will publish its minutes within the required time frame.

Conclusion - Response accepted.

- II-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported on Line 1 was understated by 5.3 students. The number of students which were tuitioned out reported on Line 3 was overstated by one student. We also noted that the District should bill Lynnville-Sully for one student and Deep River is not paying the open enrollment rate of \$5,128.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District will contact the Department of Education and the Department of Management as recommended.

Conclusion - Response accepted.

- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

- II-J-08 Local Option Sales and Service Tax Expenditures - According to the District's revenue purpose statement, local option sales and service tax money can be spent for PPEL type expenditures. We noted that the District is currently making purchases from Capital Projects Fund which do not appear to be in compliance with Chapter 298.3 of the Code of Iowa. The District purchased software totaling \$24,310. Software is not considered equipment; therefore this expenditure is inappropriate from the Capital Projects Fund.

Recommendation - The District should review the Code of Iowa with regard to allowable expenditures for equipment from the PPEL Fund and apply towards the Capital Projects Fund to avoid noncompliance. The District should review revenue purpose statements in regards to the use of local option sales and service tax money to avoid noncompliance.

The District should make a corrective transfer to the Capital Projects Fund from the General Fund in the amount of \$24,310.

Response - The District recognizes that instructional software is not an appropriate PPEL/LOSST expenditure and has transferred \$24,310 from the General Fund to the Capital Projects Fund.

Conclusion - Response accepted.

- II-K-08 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The District has requested and now receives and retains both sides of cancelled checks.

Conclusion - Response accepted.

- II-L-08 Authorized Check Signatures - We noted during our audit, one instance of only one signature on a District's Capital Projects Fund check.

Recommendation - Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence. The Board should implement procedures so each check is signed appropriately.

Response - It is the District's policy to issue all checks with two authorized signatures as required. The District will be more diligent to assure that two signatures are used on all checks.

Conclusion - Response accepted.

- II-M-08 Financial Condition - During our audit, we noted the Enterprise – Preschool Fund had deficit unrestricted net assets of \$9,150.

Recommendation - The District should review purchase approval procedures for the Enterprise - Preschool Fund and may wish to require additional approval before ordering goods or services from this fund. The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - The District will consider both revenue enhancement and expense control as means to eliminate the deficit. State funding, either through grant or appropriation, is the expected long-term solution.

Conclusion - Response accepted.